



# Motivations of Mexican Workers to Participate in CSAWP, and the impact of remittances on Mexican farms: An Empirical Analysis

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# Introduction

- Changing fortunes of Mexican agricultural sector
- Support industrialization
- Crisis of the 1960s
- Farm Income reduction
- Reduction in Ag. employment demand
- Off-farm activities → Participation in guest worker programs  
(CSAWP)

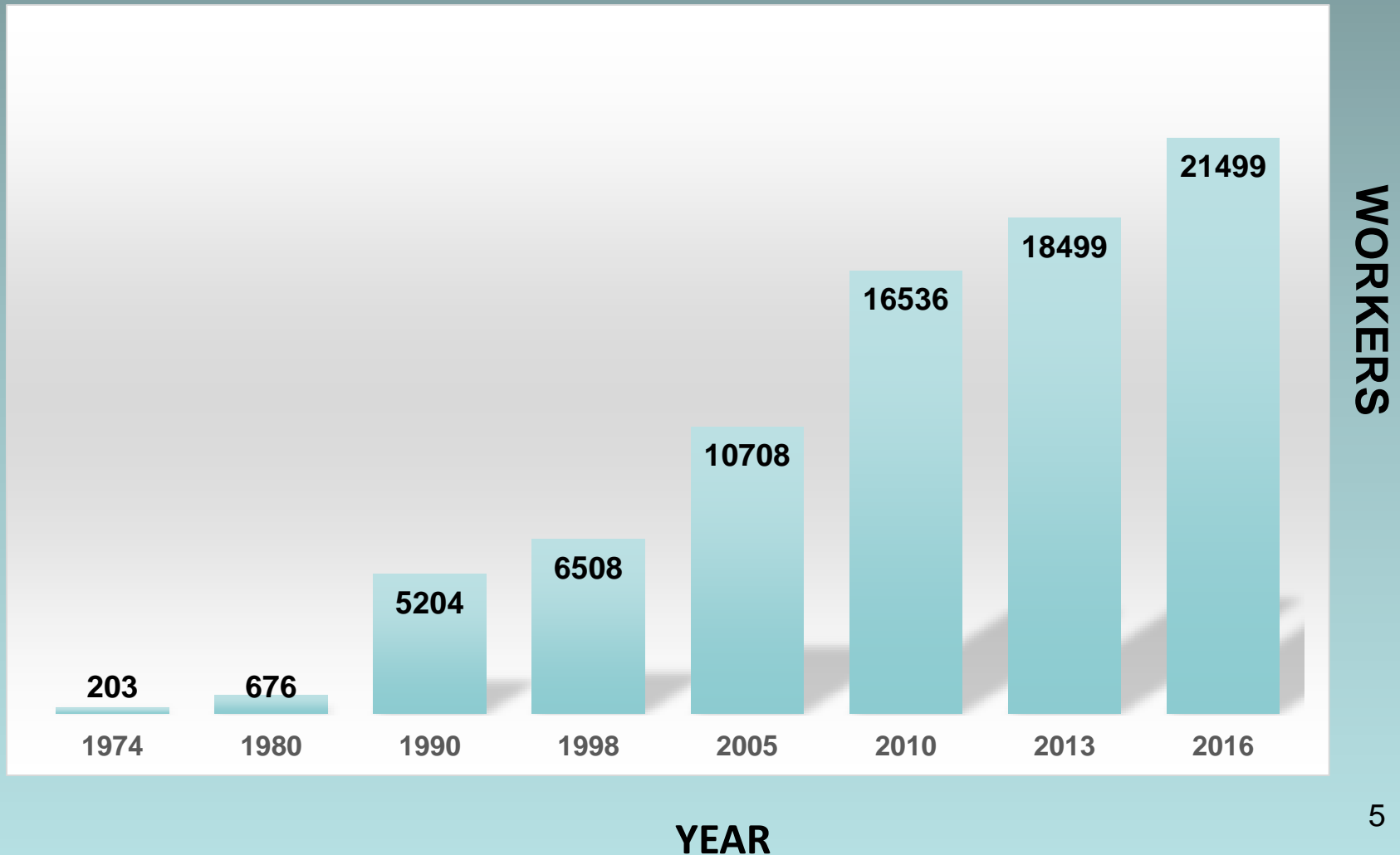
# Objectives

- Explore motivation for workers to participate in CSAWP
- Assess how remittance income from CSAWP is used
- Estimate the impact of income remittances on farm investment as they relax liquidity constraints

# Canada's Seasonal Agricultural Workers Program (CSAWP)

- Established and designed to supply temporary foreign workers to agricultural producers in Canada
- Started with the Caribbean Commonwealth countries in 1966
- Canada and Mexico signed Memorandum of Understanding starting with 203 men in 1974
- By 2007 were 11,864 Mexican workers in the program

# Mexican Agricultural Workers Participating in CSAWP



# Selection Criteria for CSAWP in Mexico

- Agricultural skills
- Education: 3 years minimum; 12 maximum
- Age: Male 22-45/Female 23-40
- Civil status: male married with children/female with children
- Healthy

# CSAWP Operation in Canada

- Employers should comply the “Canadians first” policy.
- Canadian farmers submit their labour requests through FARMS which in turn sends the list to Mexico
- The employer agrees to:
  - Hire the worker for a term no less than 240 hrs in six weeks and up to 8 months
  - Provide suitable free accommodation
  - Pay a portion of the cost of the flight, other ground transportation and visa fees

# Mexican Workers Participating in CSAWP by State (2005)

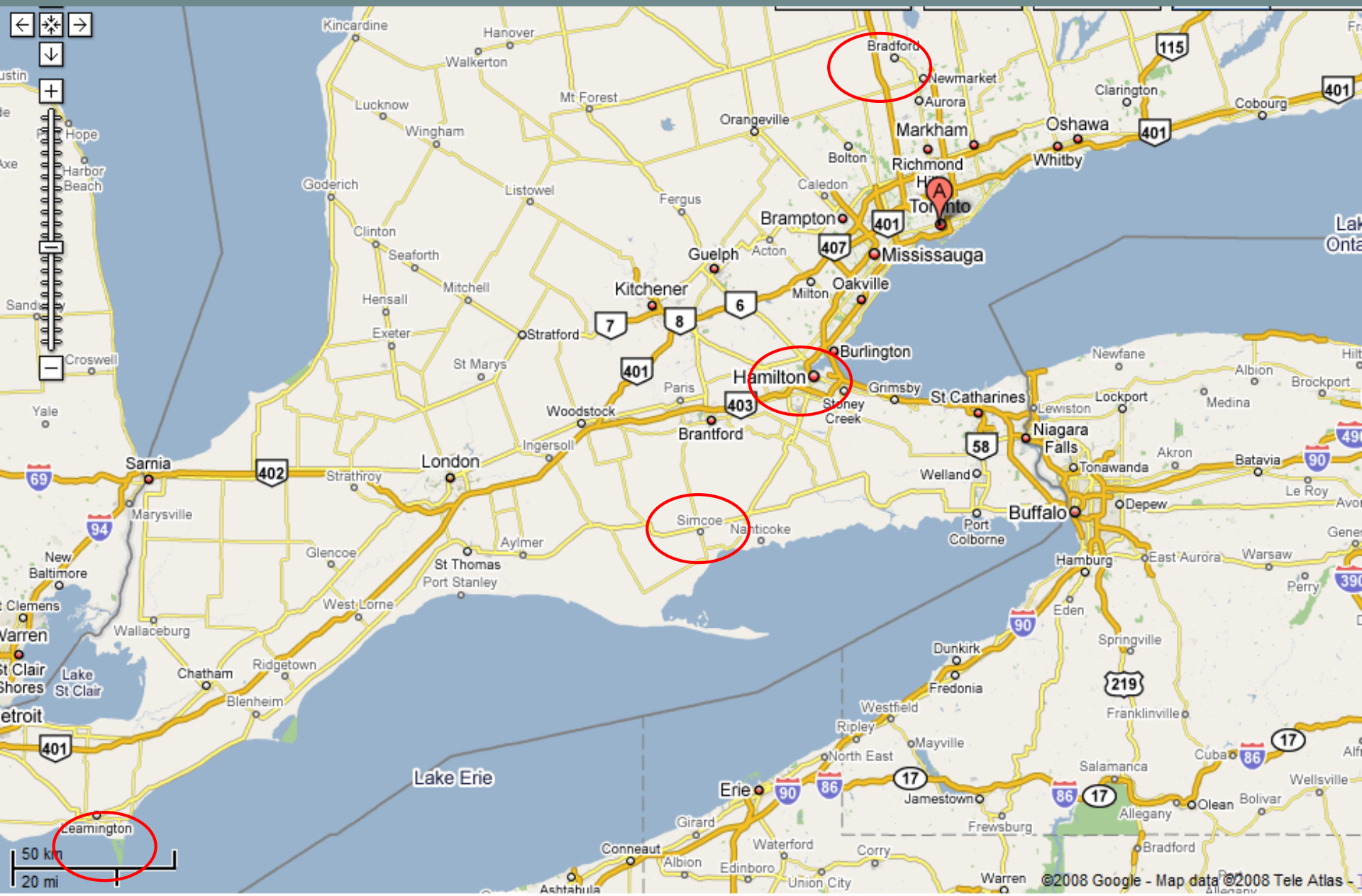
State	%
México	23.0
Tlaxcala	16.0
Guanajuato	7.2
Puebla	6.9
Morelos	6.6
Hidalgo	6.0
Other	34.3





# Research Design

- Secondary documentation
- In-depth interviews
- Survey:
  - 257 personal interviews with Mexican workers in Southern Ontario.
  - 76% located Simcoe, Leamington, Halton, Hamilton and Bradford;
  - Remaining 24% in other six locations (Oakville, Georgetown, York, Toronto and Niagara)



# CSAWP Remittances

**No official information on the amount of remittances from the CSAWP to Mexico**

**MLSW estimates remittances sent in 2006 at C\$80,000 by 11,000 Mexican migrants**

**Estimated benefits to 55,000 Mexican families (MLSW,2006)**

# Motivations for Temporary Migration (job/income/inv.,network)

- To earn more income
- To enhance my family's standard of living
- Because of low wages in Mexico
- To earn a stable income
- To put my children through school
- To improve my house
- To invest in my farm
- To learn new skills
- For experiences of others that work in Canada
- To invest in new business opportunities
- To see/know another country
- As a way to emigrate to Canada

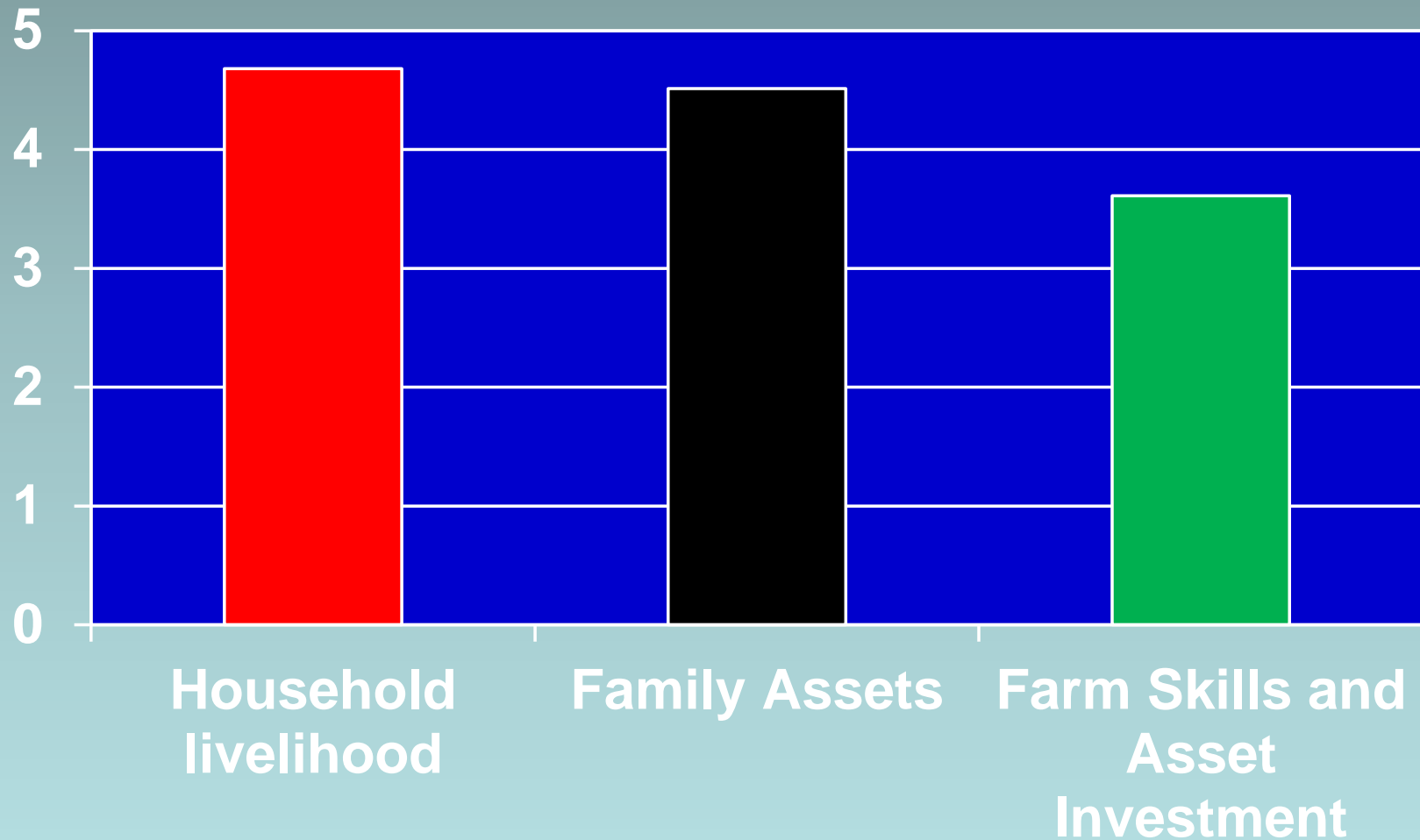
# Motivations for Participation in CSAWP



# Principal Component Analysis

Reason for participating in CSAWP	HH Livelihood	Farm Skills and Asset Investment	Family Assets
Because of low wages in Mexico (or no jobs)	.82	-.115	.071
To earn more income	.76	.042	.075
To earn a stable income	.76	.196	-.117
To enhance my family's standard of living	.69	.032	.075
To invest in my farm	.060	.91	-.059
To learn new skills	.045	.90	.179
To put my children through school	.040	.000	.86
To improve my house	.056	.101	.85
Proportion of variation explained (%)	30.0	22.5	18.1

# Importance of Broad Motivating Factors





# SURVEY INFORMATION ON INCOME AND REMITTANCES A BACKGROUND

# Working hours per week

<b>WORKING HOURS IN:</b>	<b>AVERAGE SEASON</b>	<b>LOW SEASON</b>	<b>HIGH SEASON</b>
<b>Mean</b>	<b>64.24</b>	<b>56.32</b>	<b>74.19</b>

# Canadian Income & Remittances

	Mean (C\$)
Canadian income	9,339
Living expenses in Canada	2,170
Remittances	6,657
Contract length	5 Months & 24 days

# Role of Remittances

Remittances



```
graph LR; A[Remittances] --> B[MICRO:]; B --> C[• Relax the liquidity constraint for small producers]; B --> D[• Improve some livelihoods assets like Human, physical and financial];
```

A diagram showing the role of remittances. A box labeled 'Remittances' has a line extending downwards and then turning right into an arrow pointing to a larger box. This larger box is titled 'MICRO:' and contains two bullet points.

MICRO:

- Relax the liquidity constraint for small producers
- Improve some livelihoods assets like Human, physical and financial

# Use of Remittances

## Remittances



```
graph LR; A[Remittances] --> B["NON – PRODUCTIVE:"]; A --> C[PRODUCTIVE:];
```

### “NON – PRODUCTIVE:”

- Daily consumption
- Family maintenance
- House improvement
- Luxury goods purchase

### PRODUCTIVE:

- To develop small enterprises
- To save for future investments
- Land, equipment purchase

# Use of CSAWP Remittances, 2006

USE	%
General consumption	28.3
Housing improvements	14.6
School fees	12.4
Transport	10.0
Farm investment	9.8
Appliances/electronics	6.1
Payment of old debts	5.4
Investments in non-farm business	5.4
Social events, parties	5.1
Medicines	2.3

# Theoretical Model on migration and Remittances

## NEOCLASSICAL MODEL

- Are only income transfer, they affect consumption function.
- Individual decision
- Promote permanent migration
- See return migrants as failed

## NELM

- Promote development, solving market failures as liquidity & credit constraint
- Group Decision
- Temporal migration
  - Familial ties (tacit contract)
- See return migrants as successful who enjoy in his/her community their earnings from abroad

# Empirical Model: Structure


- ▶  $\text{Remitt} = \beta_1 + \beta_2 * \text{Contractlenght} + \beta_3 * \text{LEC} + \beta_4 * \text{earhourly} + \beta_5 * \text{yearsincan} + U_1$
- ▶  $\text{FarmInvests} = \beta_6 + \beta_7 * \text{Remitt} + \beta_8 * \text{Farmincome} + \beta_9 * \text{FarmInv5years} + \beta_{10} * \text{Age} + \beta_{11} * D_5 + U_2$
- ▶  $\text{FarmIncome} = \beta_{12} + \beta_{13} * \text{Remitt} + \beta_{14} * \text{landculti} + \beta_{15} * \text{landejido} + \beta_{16} * \text{familypermwhileCan} + \beta_{17} * \text{YearsinCan} + \beta_{18} * \text{daylabhelpwhileCan} + \beta_{19} * \text{FarmInvests} + U_3$
- ▶  $\text{NonFarmIncome} = \beta_{20} + \beta_{21} * \text{Remitt} + \beta_{22} * \text{Notagriocc} + U_4$



# Results (3SLS)

Independent Variable	Standardized Coefficients			
	Remittances	Farm Investment	Farm Income	Non-farm Income
Constant				
Remittances (Remitt)		0.312	-0.35	0.193
Farm Investments (FarmInvests)			1.17	
Farm Income (FarmIncome)		0.085		
Lenght of Contract (ContrLength)	0.79			
Wage per hour (earn/hour)	0.08			
Years in Canada (yearsincan)			-0.074	
Living Expenses in Canada (LEC)	-0.35			
Age (age)		0.23		
Cultivable Land (landculti)			0.31	
Family Labour total: (familypermpwhileCan)			0.237	
Day Labourier (daylabwhileCan)			0.145	
Working in any sector other than agriculture (Notagrioccu)				0.154
Farm investments made during the last 5 years (FarmInv5years)		0.292		
R <sup>2</sup>	0.6	0.4	0.56	0.28

# Conclusions

- Three main factors motivate participation in CSWAP. Main motivator is household livelihood enhancement followed by Family Assets and Farm Skills and Asset investment.
- The average of remittances estimated sent to México per participant is C\$ 6,657  C\$1.7 million for the entire sample and C\$143 million for the total Mexican workers population in the Program in Canada 2016 (90% of the total R from Canada).

# Conclusions

- The pattern of remittances use focused on:
  - Daily Consumption
  - House Improvements
  - School fees and Transportation
  - Investments
- Remittances help to enhance non-farm income in Mexico allowing migrants to diversify their income portfolio

# Conclusions

- Results support the theoretical hypothesis that remittances could relax the liquidity constraint
- Remittances create qualitative impacts on human capital.
- Some impacts are intangible of CSAWP participation: feeling better in comparison with others in the community, children's education, house improvements and health.

# Policy Implications

In general remittances could be used as a tool of for rural development as they enhance investments and have multiplier effects.

From results:

- Governments should negotiate on:
  - Reducing LEC for migrant workers (GPS) to increase remittances.
  - Increase the wage according to other sectors.

# Policy Implications

- Keep the Program or even expand it to other activities but maintain a manageable number of participants.
- Do not leave the Program on private hands.
- See the Program as a social one
- Complement the Program with other government policies like offering returning migrants the possibility to invest in Mexico.

GRACIAS













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A large advertisement for FinMex (Canada) Inc. is displayed in a window. The ad features the company logo, which includes a stylized 'F' and 'M' in a green and red square. The text reads "FinMex (Canada) Inc." and "Envíos de dinero a MEXICO". Below this, there is a list of services: "1. Pagos en efectivo y en cheque", "2. Remesas", "3. En efectivo por el correo", "4. En efectivo por transferencia electrónica", and "5. Remesas electrónicas en línea". At the bottom, it lists "COMISIONES", "SERVICIO", "ATENCIÓN", "Y MAS", "SEGURIDAD", and "MÚLTIPLES". The advertisement is flanked by two movie posters: "FROM THE BINGOON" on the left and "LORDS OF DOGTOWN" on the right. A red satellite dish is visible in the background of the window.

